

## 5. Airport and Ground Support Equipment

### Overview

[Return to top](#)

Airport and Ground Support Equipment	2002 (actual)	2003 (actual)	2004 (estimated)
Total Market	12	14	18
Local Production	0	0	0
Total Exports	0	0	0
Total Imports	12	14	18
Imports from the U.S.	6	8	10

The above statistics are in US\$ millions and are unofficial estimates.

Aviation is one of the top priority sectors for development by the Vietnamese government since it is viewed as a prerequisite to rapid national economic growth. The aviation industry in Vietnam comes under the principal jurisdiction and management of the Civil Aviation Administration of Vietnam (CAAV), a government agency reporting to the Ministry of Transport.

According to CAAV, the aviation sector is expected to grow about 10%-15% annually and the total air passenger traffic may reach 17.5 million by 2010. In 2004, passenger traffic reached 12 million respectively, about a 12.3% year-on-year increase, while the total transported air cargo rose 17.1% in comparison to 2003. This rapidly growing demand has required the development of new infrastructure at local airports.

Vietnam currently operates a network of 17 civil airports among which there are three international gateways, Noi Bai in the north, Danang in the center and Tan Son Nhat in the south. Tan Son Nhat, with a current capacity of five million passengers per year, is the largest airport in the country, handling about 60-70% of the Vietnam's international passenger traffic.

The Vietnamese government is seeking to open its aviation sector to foreign carriers. The liberalization process, however, will proceed cautiously in several steps, given the perceived weakness of the domestic air transport industry. The government will phase in each step in accordance with its regional and international trade commitments and relationships, i.e., CLMV (Cambodia, Laos, Burma, Vietnam) – ASEAN – APEC – WTO. At present, Vietnam has signed bilateral aviation agreements with more than 50 nations and territories. In 2004, a milestone in the aviation sector was achieved with the signing of the U.S – Vietnam Aviation Agreement, which led the way for direct passenger and cargo flights between the two countries. United Airlines inaugurated its direct daily service between Ho Chi Minh City and San Francisco via Hong Kong in December 2004.

### Opportunities

[Return to top](#)

According to CAAV's development plan through the year 2010, CAAV will focus its resources on building/upgrading key international airports as well as upgrading several provincial ones. CAAV has identified four major international airport projects for development through 2010 including:

- **Tan Son Nhat International Airport**

The construction of a \$219 million new international terminal was started in August 2004 by a consortium of four Japanese contractors including Kajima, Tasei, Obayashi and Maeda. The project is expected to be operational by the end of 2006, capable of handling eight million passengers per year. As this project is financed by the Japanese Government, the majority of equipment and services for the new terminal will be sourced from Japan, but there are still opportunities for American suppliers at certain kinds of equipment and services which Japanese manufacturers do not normally supply.

- **Danang International Airport**

The Danang Airport is crucial to the development of the central region of Vietnam and the government has planned to construct a new international terminal capable of handling six million passengers per year. The feasibility study (F/S) for this project, partially sponsored by the U.S. Trade & Development Agency (TDA), was completed by PriceWaterhouseCoopers (PWC), a U.S. consulting firm, and has been approved by the government. The first phase of this project is estimated to cost \$75 million and will increase passenger capacity to four million per year. Of which \$48 million of the total investment for the first phase will be funded from the government budget. This fund will mainly be spent on construction works normally awarded to local contractors. The remaining \$27 million is slated to come from a local commercial bank and will be used to acquire necessary equipment for the new terminal. The selection of technical design and construction management consultants for this project is expected to be announced in the first quarter of 2005. In addition, CAAV also plans to select a foreign company as a main contractor for this project some time in 2005. The complete project capable of handling six million passengers per year is expected to be finished by 2010 and will require a total investment of \$160 million.

- **Chu Lai Cargo Airport**

CAAV is planning to rebuild the existing Chu Lai airport into a main air cargo hub serving the Chu Lai Open Economic Zone. Neither a specific schedule nor estimated investment, however, are available at present.

- **Noi Bai International Airport**

The \$76-million T1 passenger terminal, capable of handling 4 million passengers per year at the Noi Bai airport, was completed in September 2001. A new 3,800-meter parallel runway was completed at the end 2003. At present, CAAV is planning to build a \$23 million second terminal to increase the capacity of this airport to 6 million passengers per year by 2010.

- **Long Thanh International Airport**

Studies have indicated that the Tan Son Nhat airport will reach its allowable saturation level during the period 2010 – 2012 (10 – 12 million passengers as forecasted). For the long-term, these studies have concluded that Tan Son Nhat International Airport is not suitable as the main airport serving such a large metropolitan area. As a result, CAAV has proposed a new international airport to be located in Long Thanh, Dong Nai province, about 70 km from Ho Chi Minh City. The long-term plan is to develop four (4) runways and a terminal complex with a design capacity of 70 to 100 million passengers per year, making it one of the largest airports in Southeast Asia. The CAAV plans for the construction of the first phase (most likely two runways and a terminal) to be implemented around the end of this decade. The

Government's initial estimate of the total investment cost is about \$4.5 billion. In early 2005, CAAV is seeking funding for developing a feasibility study for this project.

#### Best Products and Services

[Return to top](#)

American companies are highly respected in Vietnam as the world's leading equipment manufacturers and service providers in the aviation sector in terms of advanced technologies, quality, and professionalism. In the above airport projects, American companies will find significant opportunities for providing architectural & technical design services, engineering and construction services, and construction management services. In addition, over the last few years American firms have sold a great deal of airport ground support equipment (GSE) as well as equipment for passenger terminals, especially in the southern and center regions of the country.

#### Resources

[Return to top](#)

To enter the market, U.S. equipment suppliers and service providers are well advised to register their interest and capabilities with the appropriate agencies, particularly CAAV and its subsidiaries. The Commercial Service Offices in Vietnam should be contacted for assistance in the registration process and the selection of reputable local firms for collaborative arrangements. Interested U.S. firms are urged to consider establishing joint ventures or other forms of strategic alliances with local companies in pursuing their projects in Vietnam. For more information, please contact the following addresses or visit the following websites:

- **Le Son, Commercial Specialist**  
U.S. Commercial Service  
U.S. Consulate General in Ho Chi Minh City  
E-mail: [Le.Son@mail.doc.gov](mailto:Le.Son@mail.doc.gov)  
[www.buyusa.gov/vietnam](http://www.buyusa.gov/vietnam)
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